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## NEWS RELEASE

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### **PSC Grants Rate Adjustment to Cumberland Valley Electric** *Utility revenue will increase 2.4 percent; request cut by more than one-third*

**FRANKFORT, Ky. (Jan. 16, 2015)** – The Kentucky Public Service Commission (PSC) today granted a rate adjustment to Cumberland Valley Electric.

The electric distribution cooperative will be allowed to increase annual revenue by about \$968,000, or 2.43 percent. That is 60 percent of the \$1.6 million increase (3.95 percent) requested by Cumberland Valley

This is the first base rate increase granted to Cumberland Valley since 2006, and only the second since 1980.

Cumberland Valley said it needed to increase rates in order to maintain financial stability, meet the requirements imposed by its lenders and cover increased operating expenses.

The PSC reduced the increase by making a number of adjustments, notably to calculations of interest payments and to depreciation on certain types of meters. The PSC also disallowed a number of expenses.

Residential customers will see the increase solely in their monthly customer charge, which will rise by \$2.99, to \$8.73 from \$5.74. For a typical customer, the total monthly bill will increase by about 2.9 percent.

Monthly customer charges also will rise for other customer classes. The new rates take effect today.

In today's order, the PSC expressed concern over Cumberland Valley's practice of tying pay raises for salaried employees to the raises negotiated by the utility's union workers. Salaried employees, including those who negotiate with the union, have an expectation that their pay will be increased by the same percentage as the union workers, the PSC said.

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While allowing the proposed increases for salaried workers in this instance, the PSC said that “future increases granted to or proposed for salaried employees will need to be fully justified and documented to show the basis” for them.

Cumberland Valley Electric has about 23,700 customers in Bell, Clay, Harlan, Knox, Laurel, Leslie, Letcher, McCreary and Whitley counties in southeastern Kentucky. It is one of 16 cooperatives that own and purchase power from the East Kentucky Power Cooperative Inc. (EKPC).

The PSC reviewed Cumberland Valley’s existing demand-side management (DSM) and energy efficiency programs, which are offered in conjunction with EKPC’s system-wide programs. The PSC’s order recognizes Cumberland Valley’s efforts regarding DSM and urges the utility to look for opportunities to expand those efforts.

In its order, the PSC said it believes that “energy efficiency and DSM generally will become increasingly important as more constraints are likely to be placed upon utilities whose main source of supply is coal-based (electric) generation.” Cumberland Valley should seek to offer additional cost-effective energy efficiency and DSM programs, the PSC said.

Cumberland Valley Electric filed its application for a rate adjustment on June 23, 2014. The only other party to the case was the Kentucky Office of Attorney General, which by state law represents ratepayers in matters before the PSC.

The PSC conducted a public evidentiary hearing in the case on Nov. 5, 2014.

Today’s PSC’s order, other documents in the case and a video of the hearing are available on the PSC website, [psc.ky.gov](http://psc.ky.gov). The case number is 2014-00159.

The PSC is an independent agency attached for administrative purposes to the Energy and Environment Cabinet. It regulates more than 1,500 gas, water, sewer, electric and telecommunication utilities operating in Kentucky and has approximately 85 employees.